

T E S T I M O N Y

RAND

Turkey, Greece, and the U.S. in a Changing Strategic Environment: Testimony Before the House International Relations Committee, Subcommittee on Europe

Ian O. Lesser

CT-179

June 2001

Project AIR FORCE

The RAND testimony series contains the statements
of RAND staff members as prepared for delivery.

DISTRIBUTION STATEMENT A

Approved for Public Release
Distribution Unlimited

20010912 038

Published 2001 by RAND

1700 Main Street, P.O. Box 2138, Santa Monica, CA 90407-2138

1200 South Hayes Street, Arlington, VA 22202-5050

201 North Craig Street, Suite 102, Pittsburgh, PA 15213

RAND URL: <http://www.rand.org/>

To order RAND documents or to obtain additional information,
contact RAND Distribution Services: Telephone: (310) 451-7002;

Fax: (310) 451-6915; Internet: order@rand.org

TURKEY, GREECE, AND THE U.S. IN A CHANGING STRATEGIC ENVIRONMENT

**Testimony of Dr. Ian O. Lesser
RAND Senior Analyst**

**Before the House International Relations Committee,
Subcommittee on Europe**

June 13, 2001

The opinions and conclusions expressed in this written testimony are the author's alone and should not be interpreted as representing those of RAND or any of the sponsors of its research.

**TURKEY, GREECE AND THE U.S.
IN A CHANGING STRATEGIC ENVIRONMENT**

**Testimony Before the House International Relations Committee,
Europe Subcommittee, June 13, 2001**

Dr. Ian O. Lesser¹

Mr. Chairman, thank you for the opportunity to offer an analysis of recent developments in Turkey, in the strategic environment, including Turkish-Greek relations, and the implications for U.S. policy toward the region. As requested, I will focus my remarks primarily on the Turkish dimension of the triangular relationship.

Recent years have seen dramatic changes in the eastern Mediterranean, offering new challenges and opportunities for U.S. policy toward its long-standing allies, Turkey and Greece. Washington is in a position to consolidate positive changes in the region and to strengthen its relationships with Ankara and Athens in ways that support key objectives in the Balkans, Eurasia and the Middle East, and also within NATO. Policy toward both countries can no longer be conceived in strictly bilateral terms, but can and should be seen as a complex, reflecting issues that cut across traditional geographic lines.

Turkey's Economic and Political Travails

Prior to November 2000, Turkey's domestic scene appeared to be evolving positively. The offer of EU candidacy had opened a wide-ranging debate about political and economic reform, and the governing coalition enjoyed substantial stability. The economic crisis of November 2000, and especially February 2001 and its aftermath, have had a devastating effect on

¹ Ian O. Lesser is a Senior Analyst at RAND, specializing in Mediterranean and strategic affairs. From 1994-1995 he was a member of the Policy Planning Staff at the U.S. Department of State. **The perspective offered in this testimony is the author's and does not represent the views of RAND or its research sponsors.** The analysis is based on Ian O. Lesser, "Policy Toward Greece and Turkey" (Discussion Paper), in *Taking Charge: A Bi-Partisan Report to the President-Elect on Foreign Policy and National Security* (RAND: Santa Monica, 2001). See also, by the same author, *NATO Looks South: New Challenges and New Strategies in the Mediterranean* (RAND: Santa Monica, 2000); and Zalmay Khalilzad, Ian O. Lesser, and F. Stephen Larrabee, *The Future of Turkish-Western Relations: Toward A Strategic Plan* (RAND: Santa Monica, 2000).

the economic and political life of the country. The value of the Turkish Lira has fallen by roughly 45 percent against the dollar. Unemployment is growing rapidly, especially in the financial and manufacturing sectors. Ironically, the more modern sectors of the Turkish economy have been most directly affected. The effects of the crisis are more evident in Istanbul than elsewhere. Many observers in Turkey and abroad are surprised that Turkey's economic travails have not led to more social unrest, and there is concern that a prolonged crisis could be destabilizing. Under these conditions, a military "intervention" in Turkish politics is a remote possibility, openly discussed.

Several points are worth noting. First, the proximate cause of the current economic disaster was a liquidity crisis and a banking collapse, but the underlying causes are structural and political (in the wake of the collapse, it has become clear that Turkey's banking system operated as a vehicle for large-scale political patronage). Polls suggest that Turks have lost faith in the existing political class. For the moment, it is possible that none of the current coalition parties – with the possible exception of the Nationalist Action Party (MHP) -- could garner enough votes to return to parliament in new elections. Corruption is now a central issue in the Turkish debate. The thirst for new leadership accounts for the tremendous popular support enjoyed by the country's recently-appointed economic czar, Kemal Dervish, a technocrat who spent many years in Washington at the World Bank. So far, Turkey has been able to pass initial legislation concerning banking reform and privatization, prerequisites for IMF and World Bank assistance. But the implementation of the reform program faces stiff opposition from Turkey's political establishment who are loathe to see their power base eroded.

Second, the crisis has shaken Turkish and international faith in Turkey's "dynamic" private sector. Turkey possesses substantial human and natural resources and is capable of recovering its economic momentum – essential for further convergence with Europe. But many of Turkey's large holding companies are embroiled in the country's financial chaos, and much of their profitability in recent years has come from unearned income rather than production. Small and medium sized enterprises, many with hard currency debt, face closure. It is a reality of the current crisis that most of the creditors are Turkish, and the wider implications for the international financial system are limited. Many Turks believe that this fact works against sustained foreign support for Turkey.

Third, the crisis has implications for Turkey's regional and international role. Prolonged economic and political turmoil will leave Ankara with little energy and less capability to play an active external role. Ambitious defense modernization plans are being postponed, and costly regional initiatives (including energy projects) may languish. More profoundly, the crisis could encourage a nationalistic and inward-looking tendency among public opinion and even some

elites. This, in turn, could have negative repercussions on Greek-Turkish relations, Turkey's EU candidacy, and perhaps regional cooperation with the U.S. The crisis has already stimulated a lively debate in Turkey about the risks of globalization, with many Turks blaming international institutions for Turkey's travails.

Fourth, and most important, there is a sense that Turkey is now at a critical crossroads. On the one hand, successful implementation of economic reform can encourage more fundamental political reforms, the emergence of new leadership, and more rapid progress on changes central to Turkey's relations with Europe and the U.S. (e.g., on human rights, the Kurdish issue, and the resolution of disputes in Cyprus and the Aegean). On the other hand, failure to implement key reforms -- including the dismantling of key elements of the Kemalist state -- could exacerbate existing conflicts within Turkish society and render Turkey a less stable and less predictable ally. The latter path would certainly reinforce Europe's inclination to hold Turkey at arms length and place new pressures on American policy. This struggle between reformers and conservatives wedded to the "strong state" is being played out at many levels in Turkish society, including within the government bureaucracy, political parties, business and, quite probably, even inside the military establishment.

As a result of internal disputes and legal restrictions, Turkey's Islamists have become a less potent force on the political scene, although some, including the former Mayor of Istanbul, Recip Tayip Erdogan, remain highly popular. Overall, the confrontation between Islamists and secularists is less clear-cut now than a decade ago. The more significant force on the Turkish scene today is arguably Turkish nationalism—and the behavior of Turkey's nationalist party (MHP) is one of the large open questions for the future. It could also have important implications for Turkish policy on key issues such as Cyprus and U.S. access to Turkish facilities, already constrained by Turkish sovereignty concerns and the lack of a shared regional strategy. The strong reaction to Congressional debate over a non-binding Armenian genocide resolution, and the threat of Turkish retaliation on defense cooperation and trade, points to the continued potential for national sensitivities to impede predictable cooperation.

Ankara has also succeeded in containing the Kurdistan Workers Party (PKK) insurgency; a success that was evident in security terms even before the apprehension of the PKK leader Abdullah Ocalan. The key question now is whether Ankara can translate this security improvement into political reconciliation with Turkey's Kurds. Progress here will be critical to Turkey's EU prospects, but the current economic crisis has pushed the Kurdish issue to the sidelines, at least for the moment.

A Changing Strategic Environment

The strategic environment facing Ankara – and Athens -- has evolved significantly, with implications for U.S. and NATO agendas in the region. At the EU's Helsinki summit in December 1999, Turkey became a candidate for full membership in the Union. At the same time, the Helsinki summit envisioned the opening of Cypriot accession talks, preferably with—but if necessary without—a settlement on Cyprus. With the advanced state of the Cypriot candidacy, the clock is running on the question of Greek–Turkish relations in Cyprus, and the EU factor is now the dominant one in shaping the future of this dispute. Moreover, there can be no question of Turkish membership without a resolution of the full range of Greek–Turkish problems, including air and sea space issues in the Aegean. For Turkey, its EU candidacy provides a clear path toward closer integration and convergence with Europe—a longstanding U.S. policy preference.

But the final status of Turkey within the EU is far from certain, and there is a serious risk that the offer of eventual membership will prove hollow, with negative implications for Ankara's role in Europe and European security arrangements. Turks believe that they have been frozen out of European decision making on a common foreign policy and new EU defense initiatives (ESDP). Under these conditions Ankara has blocked proposed arrangements for EU use of NATO assets, including planning cells, for European-led missions. The issue of Turkey's role in ESDP is a key "test case" for Ankara in its evolving relationship with Europe. There are signs that Turkey may now accept a compromise formula giving Ankara and other non-EU NATO members earlier participation in European defense decision-making in periods of crisis. Ultimately, Turkey shares the U.S. interest in seeing any new European defense arrangements evolve, to the extent possible, in a NATO framework. Above all, Turkey fears a reduction in the U.S. involvement in European defense, and a decline in the credibility of NATO guarantees to Turkey.

Several issues contribute to the longer-term importance of Athens and Ankara as strategic partners for the United States and the West. These include the prospect of continuing demands for peacekeeping, crisis management, and reconstruction in the Balkans. Greece and Turkey are key actors in this regard, both politically and economically. Instability in the Caucasus touches directly on Turkish security, and Ankara will be a key partner in managing a potentially difficult relationship with Moscow in the region. A more nationalistic and competitive Russia would likely seek to challenge Western interests on the periphery—in the Balkans, the Caucasus, and the Middle East—rather than in the center of Europe. In a more positive climate, these regions could similarly be a focus of cooperation with Russia. To the extent that NATO shifts its strategic attention toward the South, as prospective risks would suggest, Greece and Turkey will be even more central. Turkey, with its large military establishment and modernization plans, is likely to be an increasingly capable partner for power projection in adjacent regions.

Turkey and, to a lesser extent, Greece have developed close and diversified relationships with Israel. This can offer useful opportunities for U.S. diplomacy and security cooperation vis-à-vis the Persian Gulf and other key areas. Both Athens and Ankara can contribute to Middle East peace arrangements, if the peace process can be restored. Turkey will have a particularly keen interest as a water-surplus state and as a stakeholder in future security arrangements with Syria.

The eastern Mediterranean is at the center of an emerging energy security picture that reaches to the Gulf, the Caspian, and across the Mediterranean. Turkey and Greece are becoming important energy entrepôts, especially for the supply of natural gas to European markets. Pipeline decisions, including the future of Turkey's Baku-Ceyhan route, will shape the future of international access to these resources, and will influence regional geopolitics. Turkey's own energy demands will continue to grow substantially, and access to energy is now a leading element in the Turkish security calculus.

Finally, the eastern Mediterranean is exposed to functional challenges, cutting across regional lines, that are also prominent concerns for the United States. Turkey is already vulnerable to ballistic missile attack from proliferators on its Middle Eastern borders, and it could play a central role in theater ballistic missile defense architecture and perhaps in a more comprehensive missile defense, with a boost-phase approach. Both Greece and Turkey are important U.S. partners in counter-terrorism. Transnational crime, drug trafficking, and the smuggling of nuclear materials are prominent security challenges for both countries and of increasing concern to Washington. The functional agenda for cooperation with Athens and Ankara includes many of the central challenges for U.S. national security planning in a new era.

Outlook for Aegean Detente

There has been substantial improvement in the relationship between Athens and Ankara. Both countries have a strategic interest in better relations. But the rapprochement remains tentative and subject to reversals, and the core issues of Cyprus and the Aegean remain unresolved. Three years ago, Greece and Turkey were still engaged in a dangerous game of brinkmanship, with a daily risk of accidental conflict and escalation. Bilateral frictions impeded the completion of new NATO command arrangements for the eastern Mediterranean and threatened the cohesion of the Alliance. Through successive Balkan crises, U.S. policy has stressed the risk that regional conflict could spread to Greece and Turkey and reinforce "civilizational" cleavages in the region, a theme reiterated in the context of Kosovo and Macedonia. In fact, Athens and Ankara have taken a cautious, multilateral approach to the Balkans, and cooperation in Balkan stability and reconstruction was one of the few bright spots in Greek-Turkish relations prior to 1999.

Much has been made of the “earthquake diplomacy” accompanying the 1999 disasters in both countries. These events had a significant effect on public opinion and helped to overcome the overheated nationalism that has prevailed at times on both sides of the Aegean. But the real significance of the earthquake diplomacy was the scope it gave to policymakers in Athens and Ankara already committed to détente for strategic reasons. Foreign Ministers Ismail Cem and George Papandreou have been instrumental in this change of course. Despite considerable support, especially from the private sector in both countries, they are keenly aware of the need to proceed carefully in deepening Greek–Turkish reconciliation. To date, a series of meetings, including high-level visits, has produced nine bilateral cooperation agreements covering peripheral but significant matters, from tourism to counter-terrorism. A package of confidence building measures has been agreed, and is ready to be implemented under NATO auspices. For the moment, the core issues of Cyprus and the Aegean have been left aside, but it is now clear that these very divisive issues must be addressed in some form if the current détente is to be consolidated and extended.

Over the longer-term, the prospects for détente will be heavily influenced by the character of Turkish-EU relations. Europe is central to the strategy of rapprochement for both countries. Friction between Ankara and Brussels would reduce the incentives for bilateral cooperation, and could encourage a more nationalistic and less conciliatory mood.

What Are U.S. Interests? What is at Stake?

This background suggests that U.S. interests are engaged in important ways:

- The United States has a stake in the evolution of Greece and Turkey as “pivotal” states—pivotal because what happens there involves not only the fate of two longstanding allies (with NATO security guarantees) but also influences the future of regions that matter to Washington. This gives the United States a stake in Turkish prosperity, stability and convergence with European norms.
- Washington looks to Athens and Ankara to play a positive role in regional security and development, whether in the Balkans or in relation to energy security or missile defense. This includes the continued positive evolution of the Greek–Turkish relationship. A return to confrontation would negatively affect U.S. bilateral interests as well as NATO interests.
- The United States wants Greek and Turkish policies to contribute more specifically to U.S. freedom of action in adjacent regions. On the diplomatic front, this includes support for U.S. policy aims in relation to both crisis management and reconstruction in the Balkans, as well as to the containment of Iraq and Iran. In security terms, it includes predictable

access to Turkish and Greek facilities for regional contingencies and flexibility to engage or hedge in relations with Russia, as appropriate.

Policy Options

Approaches to furthering these objectives differ principally in terms of the extent of U.S. engagement and the question of policy leadership. Given NATO commitments and the strong nature of U.S. interests in Turkey and Greece, disengagement is not a viable option. On at least some important questions, however, it is reasonable to ask whether the United States, Europe, or the parties themselves should take the lead.

- 1. Focus on bilateral approaches, and provide a lead from Washington.** This is the traditional course. It acknowledges the resonance of these issues, including the Cyprus question, in U.S. domestic politics. In the current environment, it can also reassure regional allies, above all Turkey, that the United States is not disengaging from European affairs. Moreover, the United States will have an independent stake in shaping regional diplomacy and security in ways that accord with U.S. interests. The issue of access to Incirlik Air Base, for example, is not of central interest to Washington’s European allies, and we may not wish to see Turkish attitudes toward Iraq or Iran further “Europeanized.” U.S. leadership may also help to ensure that Turkish–Greek relations remain in balance—something that might prove difficult without U.S. advocacy on Ankara’s behalf. Cyprus diplomacy would be a key test of the viability of this approach. Certain initiatives, including the Baku–Ceyhan pipeline, arguably will not happen at all without active U.S. leadership and support.
- 2. Let Europe take the lead.** This approach would acknowledge Europe’s increasingly central place in the outlook of both countries. The United States has been a beneficiary of this trend, and may wish to support it. Moreover, the Helsinki summit has made the EU role a permanently operating factor in relation to Turkey, the future of Cyprus, and the Aegean dispute. Improved relations with Brussels provide an incentive for all sides and will be critical to the deepening of Greek–Turkish détente. The United States should welcome an opportunity for some of the diplomatic and burden to shift to Europe, especially with other claims on U.S. attention. In the context of relations with Turkey, a more balanced trans-Atlantic approach can take pressure off of otherwise contentious issues between Ankara and Washington. The United States has pressed for a greater Turkish role in Europe, and it should now take the next steps to encourage it. In the case of Greece, as recent experience suggests, the less bilateralism, the better.

3. Let the parties solve their own problems. This option pertains, above all, to the question of how to strengthen Greek–Turkish détente. Both parties are sensitive to the appearance of being pushed into further concessions against their national interests. An arm’s length approach from Washington could be helpful here. The same might be said of the EU, but Europe, post-Helsinki, is a structural participant in the process and cannot disengage. At the end of the day, leaderships in Athens and Ankara must decide whether to move forward and how.

4. Refocus U.S. engagement to allow for a shift of roles. The overall thrust of U.S. policy toward these allies and their regional roles should change. We should capture the advantages of more European and multilateral approaches and take an arm’s length approach where appropriate. At the same time, the United States and its partners should jointly redefine bilateral relationships to address new issues and foster more predictable partnerships. With some important exceptions, Washington should let Athens and Ankara manage the next stages of their reconciliation, and we should recognize that the key decisions and policies regarding Cyprus must come from Europe. Europe is also the leading factor in domestic change for both countries. Reminding Europe of its responsibility vis-à-vis Turkey should remain a feature of Washington’s trans-Atlantic policy.

Next Steps

Turkish economic recovery and stability are pre-conditions for progress on many of the issues raised in this analysis, and should be strongly supported. Since Europe is already structurally engaged in the Greek–Turkish equation, and the United States has a stake in deepening this engagement, a U.S.-led approach is inappropriate. Similarly, the parties themselves must take the initiative in further developing Greek–Turkish relations. On wider, regional issues, Greece and Turkey should be integrated in transatlantic strategies. Washington should stay engaged in policy toward Greece and Turkey, but should refocus its engagement toward the following priority next steps.

- Encourage Turkish reformers and recognize the importance of strong support from Washington in restoring confidence in the Turkish economy. This should include continued backing for IMF-led financial assistance.

- Continue to stress the importance of closer Turkish convergence with and integration in Europe. But the United States should recognize that Turkey's prospects for full EU membership remain mixed at best. Convergence rather than membership is the real objective from the perspective of U.S. interests. Washington should press its European partners to adapt their plans for ESDP to give Ankara a greater role in European decision making on defense—or at least to broker a compromise that will avoid a Turkish break with Brussels and the risk of paralysis over European-led initiatives at NATO.
- On Cyprus, the goal of a “bi-zonal, bi-communal federation” remains appropriate. The United States can have a role, but not necessarily the leading role, in any settlement arrangements for the island. Cyprus is increasingly an EU-led issue, and the key incentives for compromise will come from Brussels. If Cyprus is offered EU membership against a background of tense Turkish-EU relations, we should be prepared for a strong Turkish political reaction. This possibility increases the importance of having effective Greek-Turkish risk-reduction measures in place.
- Engage Greek and Turkish leaderships toward the development of a new, more relevant strategic agenda. For Turkey, key elements of this agenda can include energy security, ballistic missile defense, dealing with Russia, and integrating Turkey in Europe. Dialogue on a common strategic agenda can help to increase the predictability of Turkish defense cooperation, including access to Incirlik Air Base for Gulf and other contingencies. The United States should also consider exploring with Ankara new activities of mutual interest that could be conducted at Incirlik, looking beyond Operation Northern Watch. With Athens, new agenda discussions can usefully focus on Balkan reconstruction, security cooperation in the Adriatic, and possible roles for Greece in the Middle East peace process.
- Offer tangible support for the Baku-Ceyhan pipeline. With the discovery of new proven reserves in the Caspian, there is a better chance for the pipeline to prove economic. To date, Washington has offered strong diplomatic support but little substantive backing for the pipeline, despite a clear strategic rationale. If it is serious about promoting energy security and Turkey's regional role, Washington should be prepared to contribute, together with the private sector, appropriate assistance and credits toward the pipeline's construction.